

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

September 24, 2002

IN RE:

APPALACHIAN POWER COMPANY APPLICATION FOR
AMENDMENT TO FINANCING ORDER

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DOCKET NO.
02-00872

ORDER APPROVING REQUEST FOR AMENDMENT OF FINANCING ORDER

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, upon the *Application for Amendment to Financing Order* (the "*Application*") filed by Appalachian Power Company ("Appalachian") on August 15, 2002. In the Application, Appalachian requests that the Authority issue a new order amending its Order of January 14, 2002 in Docket No. 01-01028, in which the Authority approved Appalachian's application to issue up to \$450,000,000 in secured or unsecured promissory notes from time to time through December 31, 2002 and enter into one or more interest rate hedging arrangements from time to time through December 31, 2002. The Authority's January 14, 2002 Order was issued pursuant to Tenn. Code Ann. § 65-4-109, which directs the Authority to approve the proposed issuance of debt if it finds that such issuance is to be made in accordance with the law and the Authority approves the purpose of the issuance.

The *Application* states that due to a favorable interest rate environment which was not foreseen when Appalachian filed its application in Docket No. 01-01028 on November 22, 2001,

Appalachian issued unsecured long-term debt of a principal amount of \$450,000,000 on June 18, 2002, primarily for the purpose of refunding indebtedness in an amount that was greater than anticipated at the time of the January 14, 2002 Order. According to the *Application*, the result of this action is that the other purposes for the requested debt authority stated in the November 22, 2002 application will remain unfunded unless Appalachian is permitted to increase the total amount of its financing. The *Application* states that Appalachian's current financing requirements equal approximately \$200,000,000 in capital expenditures and other general corporate purposes including construction and the repayment of short-term debt.

Appalachian requests that the Authority issue a new order supplementing the January 14, 2002 Order in Docket No. 01-01028 and permitting Appalachian to issue an additional \$200,000,000 in secured or unsecured promissory notes from time to time through December 31, 2002, which amount, when aggregated with the existing long-term debt authority of \$450,000,000, will equal \$650,000,000. The *Application* states that all other terms and conditions set forth in the January 14, 2002 Order in Docket No. 01-01028 will remain in effect. The *Application* states that there has been no material adverse change in the financial condition of Appalachian since the time of the application in Docket No. 01-01028.

At the September 9, 2002 Authority Conference, after careful consideration of the *Application*, the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the voting panel unanimously voted to approve Appalachian's *Application*. The voting panel finds that this financing is for a proper purpose and is in the public interest.

IT IS THEREFORE ORDERED THAT:

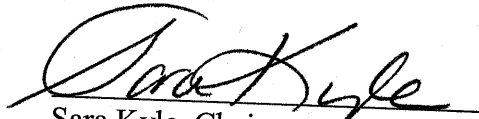
1. In addition to the permission to issue and sell secured and unsecured promissory notes in an amount up to \$450,000,000, granted by Order dated January 14, 2002 in Docket No.

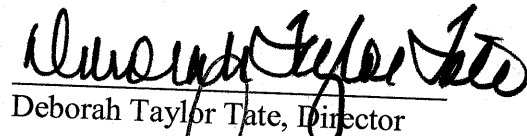
01-01028, Appalachian Power Company is authorized to issue and sell, from time to time through December 31, 2002, secured or unsecured promissory notes in the amount of up to \$200,000,000;


2. The terms of said issuance and sale shall be as described in the *Application* on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Appalachian Power Company securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein; and

4. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Pat Miller, Director